

# 1888 Investments, LLC

## Part 2A of Form ADV

### Firm Brochure

1401 Lawrence Street, Suite 1920  
Denver, CO 80202  
(720) 201-6099

May 17, 2022

This Brochure provides information about the qualifications and business practices of 1888 Investments, LLC (“1888,” “Adviser,” “we,” “us” and similar terms). If you have any questions about the contents of this Brochure, please contact us at 720-201-6099 or [investments@1888investments.com](mailto:investments@1888investments.com).

Additional information about 1888 is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

.

## Item 2: Material Changes

This Brochure contains material changes to the disclosures the Adviser provided in its brochure filed in February 2021 and in March 2022. These changes include:

Changes since February 2021:

- Item 10 – updates to the actual and potential conflicts of interest related to the Adviser’s relationship with Koch Industries, Inc. which is owned by the four principle beneficial owners of the Adviser and is an advisory client of the Adviser.
- Item 10 – updates to the actual and potential conflicts of interest related to the Adviser’s relationship with LAB Quantitative Strategies, LLC, an investment adviser to a certain Portfolio Fund in which certain of the Funds managed by the Adviser invest and LAB Quantitative Strategies, LLC, the general partner of subject Portfolio Fund.

Changes since March 2022:

- Item 10 – updates to the members of the Board of Managers of the Adviser to include an individual employed by Koch industries, Inc. or its affiliates and updates to actual and potential conflicts of interest related to the Adviser’s relationship with Koch Industries, Inc. which is owned by the four principle beneficial owners of the Adviser and is an advisory client of the Adviser.

Please note that the above summary addresses only changes that the Adviser has determined to be material, and does not reflect all of the changes that have been made to the Brochure since its initial filing.

### **Item 3: Table of Contents**

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	5
Item 6: Incentive Based Fees and Side-by-Side Management .....	7
Item 7: Types of Clients .....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9: Disciplinary Information.....	14
Item 10: Other Financial Industry Activities and Affiliations.....	14
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	15
Item 12: Brokerage Practices.....	16
Item 13: Review of Accounts .....	16
Item 14: Client Referrals and Other Compensation .....	16
Item 15: Custody .....	16
Item 16: Investment Discretion .....	17
Item 17: Voting Client Securities .....	17
Item 18: Financial Information.....	17

## Item 4: Advisory Business

1888 is organized as a Delaware limited liability company and was formed in 2020. 1888 is wholly owned by 1888 Management, LLC (“1888 Management”).

1888 serves as an investment adviser and provides discretionary investment management and advisory services to high-net-worth individuals, family offices, trusts, charitable organizations, nonprofit entities, and corporate entities (together “SMAs”), and privately offered investment vehicles for which it is non-member manager (each such fund, a “Fund,” and collectively, the “Funds”). The SMA and Funds are clients of 1888 (“Clients”). Each Client invests (directly or indirectly through a Fund) in a group of funds managed by third party or affiliated managers (such funds the “Portfolio Funds” and such managers the “Fund Managers”).

The investment management services provided by 1888 to its Clients include: (i) development and implementation of investment strategies, including asset allocation strategies; (ii) identification and sourcing of investment opportunities; (iii) analysis and assessment of investment opportunities; (iv) execution and acquisition of investments; (v) monitoring of investments; and (vi) disposition of investments.

The SMA Clients generally invest in one or more of the Funds, which collectively pursue the following strategies:

- Holds cash and cash equivalent instruments, including short-duration fixed income securities, money market funds, commercial paper, US Treasury securities, US Agency securities, certificates of deposit, municipal bonds, asset-backed securities, supranational securities, foreign government securities, and quasi-sovereign securities.
- Seeks to meet or exceed the total return of the S&P 500 Index on a risk adjusted basis over five-year periods by investing in a portable alpha strategy. The Funds hold Portfolio Funds that invest in hedge fund, trend following, tactical risk parity, momentum, global systematic macro, and equity beta strategies.
- Invests in private equity and private real estate investments, either through Portfolio Funds or direct investments into private company securities, general partner ownerships, or real estate.
- Invests in one separately managed account which holds investments held only by non-profit Clients.
- Certain investments in the 1888 portfolio are held directly by individual Clients, rather than by one of the Funds (such investments, the “Direct Investments”). In most cases, these Direct Investments were selected by the Clients and 1888 was directed to monitor and report the performance of these investments. In other cases, Direct Investments were legacy investments made directly into Client accounts prior to the formation of the Funds and are now directed and monitored by the 1888 investment team. In all cases, Direct Investments are included in Client reporting.

1888 advises the Funds in accordance with the terms of the applicable Fund’s governing documents (the “Governing Documents”). All terms applicable to a Fund are generally established at or around

the time of the formation of such Fund and are only terminable as set forth in such Fund's Governing Documents. The descriptions set forth in this Brochure of specific advisory services that 1888 offers to the Funds, and investment strategies pursued, and investments made by 1888 on behalf of the Funds, should not be understood to limit in any way 1888's investment activities. 1888 may offer any advisory services, engage in any investment strategy and make any investment, including any service, strategy or investment not described in this Brochure, that 1888 considers appropriate, provided that Fund investments are subject to each Fund's investment objectives and guidelines and as set forth in each Fund's Governing Documents.

1888 does not currently participate in any wrap fee programs.

As of December 31, 2021, 1888 has discretionary regulatory assets under management of approximately \$7,298,133,476.

## **Item 5: Fees and Compensation**

1888 provides investment advisory services to each SMA pursuant to an investment advisory agreement (the "Advisory Agreements") and serves as the non-member manager of each of the Funds.

Each SMA has an Advisory Agreement that details the fees applicable to managing the account. The SMA portfolios will generally be allocated to one or more Funds and would be subject to each applicable Funds' fees and expenses.

The Funds' Advisory Agreements, along with the applicable Fund's Governing Documents, set forth in detail the fee structure relevant to each such Fund. The terms of the Advisory Agreements are generally established at or around the time of the formation of the applicable Fund, subject to amendment in accordance with the terms of the applicable Governing Documents. All investors and prospective investors in a Fund should review the Governing Documents of each Fund in which they have invested or intend to invest in conjunction with this Brochure for complete information on the fees and compensation payable with respect to a particular Fund.

### Management Fee

1888 generally expects to receive a management fee (the "Management Fee") from each Fund as set forth in each Advisory Agreement and the Governing Documents. The Management Fee is intended to cover 1888's budgeted annual expenses, excluding 1888's annual employee incentive compensation as described in the Incentive Fee section below. The Management Fee will typically be between 0.03% and 0.20% of actively invested capital, charged monthly in advance (and pro-rated for any period that is less than a full one-month period) and paid directly from the applicable Fund's assets. 1888 also receives a Management Fee for its monitoring and reporting of Direct Investments valued at \$5,000,000 or greater, which are directly billed to Clients holding such Direct Investments.

1888's services may be terminated by any of the Funds as set out in the applicable Governing Documents. Upon termination, generally, any prepaid, unearned Management Fees will be refunded or otherwise not payable, and any earned, unpaid Management Fees will be due and payable.

### Incentive Fee

Each December, 1888 will charge each Fund an annual incentive fee with respect to the performance of the Fund as determined in 1888's discretion and approved by the Board of Managers of 1888 (the "Incentive Fee"). The Incentive Fee is intended to cover annual incentive compensation payments to employees of 1888, which is generally determined in November each year and paid to such employees in January of the following year.

### Fund Expenses

Each Fund shall bear its own expenses, including, but not limited to, the following whether incurred directly by the Fund or by 1888: investment expenses (*e.g.*, expenses that, in 1888's discretion, are related to the investment of the Fund's assets, whether or not such investments are consummated, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the Fund's investments, whether or not such investments are consummated); professional fees (including expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses relating to software tools, programs or other technology utilized in managing the Fund (including third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including any computer hardware and connectivity hardware (*e.g.*, telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); administrative expenses (including fees and expenses of the administrator, if any); external valuation expenses (including the cost of accounting software packages); audit and tax preparation expenses; costs of printing and mailing reports and notices; taxes; corporate licensing; regulatory expenses (including filing fees); organizational expenses; expenses incurred in connection with the offering and sale of the Fund's limited liability company interests and other similar expenses related to the Fund; indemnification expenses; and extraordinary expenses. Such expenses borne by the Fund, other than any expenses that 1888 determines should be allocated to a particular member or members, will be debited to the capital accounts of all the members on a *pro rata* basis in accordance with their capital account percentages. To the extent that expenses to be borne by the Fund are paid by 1888 or its affiliates, the Fund shall reimburse such party for such expenses.

If any of the expenses are incurred jointly for the account of the Funds and any other accounts, such expenses shall be allocated among the Funds and such other accounts in proportion to the size of the investment made by each to which such expense relates, or in such other manner as 1888 considers fair and equitable.

By investing with 1888, each Client bears asset-based fees of both 1888 and the Portfolio Funds as well as any performance-based fees of 1888 and the Portfolio Funds. Thus, SMAs with investments in a Portfolio Fund via a Fund may be subject to higher operating expenses than if such SMA invested in a Portfolio Fund directly.

## **Item 6: Incentive Based Fees and Side-by-Side Management**

### Incentive-Based Fees

As described under “Incentive Fee” in Item 5 above, 1888 receives performance-based compensation from the Funds in accordance with each Fund’s Governing Documents.

Although incentive fees are a method of compensation generally used to align Adviser’s interests with those of its funds’ members, the existence of this arrangement could create an incentive for the Adviser to make riskier or more speculative investments or dispose of a Funds’ portfolio investments at a time and in a sequence that would generate more incentive fees than would be the case if such incentive fees were not part of its overall compensation structure.

1888 seeks to address such conflicts on a fair and equitable basis in its good faith discretion and will establish policies and procedures intended to address the potential conflicts of interest described above.

## **Item 7: Types of Clients**

The Adviser provides portfolio management services to high-net-worth individuals, family offices, trusts, charitable organizations, nonprofit entities, corporate entities, and private investment vehicles (including the Funds and any future investment pools formed by the Adviser or its affiliates).

To the extent that the Funds have minimum investment amounts, such amounts are set forth in the relevant Governing Documents. Fund member interests generally are offered and sold solely to qualified purchasers and accredited investors.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### Methods of Analysis and Investment Strategies

1888’s analytical process includes both quantitative and qualitative elements. In selecting Portfolio Funds and Fund Managers, 1888 is primarily focused on three key areas: people, security selection, and portfolio management. 1888 typically conducts reference checks on investment professionals to verify their quality and skill. 1888 also seeks to partner with Fund Managers that have strong investment experience and interests that are aligned with Clients. 1888 looks for Fund Managers believed to have superior security selection that includes a rigorous fundamental analysis of company accounting, as well as a deep understanding of industry dynamics and the competitive landscape. 1888 often reviews individual holdings with portfolio managers and analysts of Fund Managers to determine the depth and quality of their work. 1888 seeks Fund Managers that display a strong ability to manage risk and adhere to appropriate exposure constraints. 1888 often analyzes past performance within the context of a Portfolio Fund’s exposures and attribution to analyze how the track record was achieved. In addition to the aforementioned areas, 1888 typically evaluates the organizational structure, operational and back-office capabilities, and the legal documentation (including advisory fees and liquidity terms) of each Fund Manager.

The following summary identifies the material risks related to 1888's investment strategies and should be carefully evaluated before making an investment with 1888. 1888's methods of analysis involve a risk of loss to Clients and such Clients and members therein must be prepared to bear the loss of their entire investment. However, the following does not intend to identify all possible risks of an investment with 1888 or provide a full description of the identified risks.

**Multiple Fund Managers.**

Because Clients invest with Fund Managers who make their trading decisions independently, it is possible that one or more of such Fund Managers may, at any time, take positions which may be opposite of positions taken by other Fund Managers. It is also possible that the Fund Managers retained by Clients will be competing with each other for similar positions at the same time. Also, a particular Fund Manager may take positions for its other clients that may be opposite to positions taken for Clients. Although 1888 seeks to obtain diversification by investing with a number of different Fund Managers with different strategies or styles, it is possible that several Fund Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of Clients to more rapid changes in value than would be the case if the assets of Clients were more widely diversified.

**Incentive-Based Compensation Arrangements with Fund Managers.**

1888 typically enters into arrangements with Fund Managers under which such Fund Managers are compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. These performance-based compensation arrangements may create an incentive for such Fund Managers to make investments that are riskier or more speculative than would be the case in the absence of these performance-based compensation arrangements. A Client may be required to bear a portion of a performance-based fee to any Fund Managers who make a profit for such Client in a particular fiscal year even though such Client may in the aggregate incur a net loss for such fiscal year.

**Activities of Fund Managers.**

Although 1888 seeks to select only Fund Managers who will invest Clients' assets with the highest level of integrity, 1888 has no control over the day-to-day operations of any of its selected Fund Managers. As a result, there can be no assurance that every Fund Manager engaged by Clients will conform his or her conduct to these standards.

**Limits on Information.**

1888 selects Fund Managers based upon the factors described above. 1888 will request detailed information from each Fund Manager regarding the Fund Manager's historical performance and investment strategy. However, 1888 may not always be provided with detailed information regarding all the investments made by the Fund Managers because some of this information may be considered proprietary information by Fund Managers.

**Leverage.**

The Funds may employ the use of leverage, including, without limitation, the use of lines of credit. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from investments. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines),



which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage may impose restrictive financial and operating covenants on a Fund, in addition to the burden of debt service, and may impair its ability to finance future investments and capital needs.

**Hedging.**

There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while 1888 or the Portfolio Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for Clients than if such hedging transactions were not undertaken. There can be no assurances that 1888 or the Portfolio Funds will continue to enter into hedging transactions in the future or that any such hedging transactions will be successful.

**Drawbacks of Emerging Fund Managers.**

The Fund Managers retained by the Funds may have limited or no performance histories in operating their own respective management companies. Therefore, such investments may involve greater risks than investment with more established Fund Managers.

**Failure to Fund Capital Commitments, Consequences of Default.**

If the Funds fail to fund their capital commitments when due, the Funds' ability to complete its investment program or otherwise to continue its operations may be substantially impaired. In addition, Clients are subject to risks arising from the investment activities of Fund Managers including the following:

**Short Selling Risk.**

The Fund Managers' investment programs may include an amount of short selling. Short selling transactions expose the Fund Managers to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and effectively without limit. There is the risk that the securities borrowed by the Fund Manager in connection with a short sale would need to be returned to the securities lender on short notice. If such a request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Fund Manager might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Fixed-Income and Debt Securities.**

Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject Fund Managers' portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in lower-rated debt securities will also subject the investments to the risk that the securities may fluctuate more in price and are less liquid than higher-rated securities because issuers of such lower-rated debt securities

are not as strong financially, are more likely to encounter financial difficulties, and are more vulnerable to adverse changes in the economy.

**Derivatives.**

Swaps, certain options, and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instruments, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments often incur a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is greater than the deposit used to establish the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly, and over wide ranges, and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Fund Managers. Further, to the extent transactions in derivative instruments are not undertaken on recognized exchanges, the Fund Managers will be exposed to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

**Growth-Equity Investments.**

The Adviser expects that certain Fund Managers will make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities, and a larger number of qualified managerial and technical personnel.

**Investments in Real Estate.**

The Adviser expects that certain Fund Managers will make real estate and/or real estate related investments, including investments in real estate operating companies. The Portfolio Funds' real estate and/or real estate related investments will be subject to the risks inherent in the ownership and operation of real estate. Special risks associated with such investments include, but are not limited to: (i) changes in the general economic climate; (ii) local, national or international conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties and changes in the relative popularity of property types and locations; (vi) changes in the financial condition of tenants, buyers and sellers of properties; (vii) changes in operating costs and expenses, (viii) uninsured losses or delays from casualties or condemnation; (ix) changes in applicable laws, government regulations (including those governing usage, improvement, zoning and taxes, including real estate tax assessments) and fiscal policies; (x) the availability of financing; (xi) interest rate levels; (xii) environmental liabilities; (xiii) contingent liabilities; (xiv) successor liability for investments in existing entities (*e.g.*, buying out a distressed partner or acquiring an interest in an entity that owns a real property); (xv) acts of God, acts of war (declared or undeclared), terrorist acts, strikes, union relations and contracts; (xvi) risks related to guarantee obligations of

the Funds or their affiliates, including recourse, completion, cost overrun or other obligations; and (xvii) other factors beyond the control of the Adviser.

### **Infrastructure Investments.**

The Adviser expects that certain Fund Managers may make infrastructure investments. Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Political and regulatory considerations and popular sentiments could also affect the ability of a Fund to buy or sell investments on favorable terms. Infrastructure assets can have a narrow customer base. Should any of the customers or counterparties fail to pay their contractual obligations, significant revenues could cease and become irreplaceable. This would affect the profitability of the infrastructure assets. Infrastructure projects are generally heavily dependent on the operator of the assets. There are a limited number of operators with the expertise necessary to successfully maintain and operate infrastructure projects. The insolvency of the lead contractor, a major subcontractor or a key equipment supplier could result in material delays, disruptions and costs that could significantly impair the financial viability of an infrastructure investment project.

### **Distressed Investments.**

The Adviser expects that certain Fund Managers may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are, or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the Adviser will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested.

### **Illiquidity; Lack of Current Distributions.**

The Funds are anticipated to make directly, or through Fund Managers, investments in illiquid securities. It is uncertain as to when profits from such investments, if any, would be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, may occur only upon the partial or complete disposition of an investment. Investments may not be sold for a number of years, if ever, after the initial investment. Before such time, there may be little or no current return on the investment. Furthermore, the applicable Fund Expenses (including the Management Fee or Incentive Fee) may exceed the Fund's income, thereby requiring that the difference be paid from the Fund's assets. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Fund's investments.

**Leveraged Investments.**

The Adviser expects that certain Fund Managers may use leverage, including, without limitation, in private equity investments, on its own behalf and/or by having a portfolio company incur debt to finance a portion of the Fund Manager's investment in such portfolio company. Leverage generally magnifies both a Portfolio Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. Leveraged capital structures of portfolio companies would increase the exposure of a Portfolio Fund's investments to any deterioration in such company's condition or industry, competitive pressures, an adverse economic environment, or rising interest rates (which recently have been at or near historic lows). Also, leveraged capital structures of portfolio companies could accelerate and magnify declines in the value of such Portfolio Fund's investments in those portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Portfolio Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Portfolio Fund. Furthermore, should the credit markets be limited or costly at the time a Portfolio Fund determines that it is desirable to sell all or a part of a portfolio company, such Portfolio Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which the Portfolio Funds invest may not be rated by a credit rating agency.

**Regulation and Enforcement.**

The Adviser expects that certain Fund Managers will make private equity investments. The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and could be subject to U.S. Department of Justice (the "DOJ") investigation and civil and criminal prosecution resulting in fines. The Antitrust Division of the DOJ has previously issued information requests relating to private equity transactions among multiple fund sponsors, and in 2014 several fund sponsors settled claims that they had conspired to not bid against each other on eight large "take-private" buyouts that occurred prior to the 2008 global financial crisis. There can be no assurance that the Portfolio Funds will not be subject to third-party litigation and/or investigations involving consortium bids.

**Additional risks related to 1888 include:****Cybersecurity Risk.**

Investment advisers increasingly rely on information and technology systems, particularly internet-based programs and data storage applications, to conduct their business. Such systems might in some circumstances be subject to cybersecurity incidents or similar events that could potentially result in damage or interruption to these systems, unauthorized access to sensitive transaction and personal information, intentional misappropriation, corruption or destruction of data, or operational disruption. Despite reasonable precautions, cybersecurity incidents could potentially occur, and might in some circumstances result in the failure to maintain the security, confidentiality or privacy of sensitive data. Cybersecurity incidents experienced by third party vendors or service providers may indirectly affect the Funds. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the Adviser's systems and those of the Adviser's or the Funds' service providers or counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of a Fund. Cybersecurity risks can disrupt the ability to engage in transactional business, cause direct financial loss and affect the value of assets in which the Funds invest, lead to regulatory intervention or fines (including under the California Consumer Privacy Act or the European General Data Protection Regulation), harm 1888's reputation, lead to violations of applicable laws, result in ongoing prevention, risk management and compliance costs, or otherwise adversely affect 1888's business and financial performance.

**Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.**

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements, or otherwise execute their investment strategies or achieve their investment objectives. The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators may complicate or prevent the Funds' efforts to structure, consummate, and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than they otherwise would have.

**Risk Management Failures.**

Although 1888 attempts to identify, monitor and manage significant risks, these efforts may not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by 1888, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the Clients may be incomplete or ineffective. Similarly, 1888 may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

**Systems and Operational Risk.** 1888 relies heavily on certain financial, accounting, data processing and other operational systems and services that are employed by 1888, affiliates, and/or by third-party service providers, including but not limited to custodians, third-party administrators, and market counterparties. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. In addition, despite certain measures established by 1888 and third-party service providers to safeguard information in these systems, 1888, Clients, and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, liability under applicable law, regulatory intervention, or reputational damage.

**Effects of Health Crises and Other Catastrophic Events.** Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future lead to increased short-term market volatility and may have adverse long-term effects on the U.S. and world economies and markets generally. These events may have an adverse effect on Client investments and 1888's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for businesses in a given region or globally. In addition, under such circumstances the operations of 1888, Fund Managers and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and duration of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither 1888 nor any of its members, advisory affiliates, partners, officers or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

## **Item 10: Other Financial Industry Activities and Affiliations**

The four beneficial owners of 1888 Management, which wholly owns 1888, are also shareholders of Koch Industries, Inc. ("KII") and certain of its affiliates. 1888 uses KII personnel for various functions, including legal, accounting, tax, and human resources services. In addition, an employee of KII and its affiliates serves as one of three elected managers on the Board of Managers of 1888 and two employees of KII and its affiliates comprise the Board of Managers of 1888 Management.

1888 provides advisory services with respect to a portion of KII's investment portfolio. However, KII maintains its own investment management and operations functions for its direct investment portfolio. Except for the portion of the KII assets under management with 1888 and as otherwise

noted above, the investment management and operations functions at KII are separate from the investment management and operations functions at 1888. 1888 policies and procedures seek to ensure that the investment management, trading, and operations functions of each of KII and 1888 operate without regard to, or interference from, the other.

KII and its affiliates select and manage investments solely for their own benefit and 1888 provides advisory services only with respect to a portion of KII's investible assets. From time to time, KII may be presented with investment opportunities, which consistent with its own obligations, it may in its sole discretion refer to 1888 for its consideration. If it receives such a referral, 1888 will make its own independent determination whether to participate in the investment opportunity on behalf of its clients.

1888 selects and manages investments solely for the benefit of its clients. From time to time, 1888 may be presented with investment opportunities that 1888, in its sole discretion and consistent with its fiduciary obligations, may refer to KII and its affiliates for its consideration as direct investments. If it receives such a referral, KII will then make its own independent determination whether to participate in the investment opportunity

As a result of the above, potential conflicts of interest could arise between 1888, on the one hand, and KII and its affiliates, on the other, by virtue of 1888 and KII and its affiliates holding the same or similar positions. 1888 policies and procedures seek to mitigate these potential conflicts.

An officer of 1888 serves on the board of managers of LAB Quantitative Strategies, LLC ("LAB QS"), an investment adviser to a certain Portfolio Fund in which certain of the Funds invest (the "LAB QS Fund"). The same officer of 1888 serves on the board of managers of LAB Quantitative Research, LLC ("LAB QR") which is the general partner of the LAB QS Fund. 1888 does not have an ownership interest in either LAB QS or LAB QR. 1888 and LAB QS do not have common owners. 1888 and LAB QR do not have common owners.

An officer of 1888 owns certain intellectual property underlying the algorithm that forms the basis for the investment decisions of the LAB QS Fund. The intellectual property is licensed on a royalty free basis to LAB QS. To the extent that 1888 causes one of its Clients to invest in the LAB QS Fund, the Firm will be presented with a potential conflict of interest of favoring the interests of the officer in such intellectual property. To the extent such officer is presented with a potential conflict of interest involving LAB QS, such officer may recommend investment opportunities related to LAB QS, but will abstain from participating in any investment decisions relating to LAB QS.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Adviser has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which set forth standards of conduct that are required of the Employees and addresses conflicts that arise from personal trading. The Code requires Adviser personnel and others to report their personal securities transactions and prohibits Adviser personnel from directly or indirectly acquiring beneficial ownership of securities, with limited exceptions, without first obtaining

approval from the Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any Client or prospective Client upon request to the Adviser's Chief Compliance Officer at 720-201-6099. Personal securities transactions by Employees who manage client accounts are required to be conducted in a manner that prioritizes the Client's interests in Fund eligible investments.

## **Item 12: Brokerage Practices**

1888 generally does not select brokers or dealers to execute security transactions, rather it relies on Fund Managers to select and manage brokerage relationships for those transactions. With respect to any purchase or sale of securities, the Fund Managers have discretion in deciding which brokers or dealers are to be used for a particular transaction and the compensation for those transactions. 1888 reviews each Fund Manager's brokerage practices on a regular basis.

From time to time, the Funds will receive equity securities from a Fund Manager. 1888 uses an unaffiliated Fund Manager to execute trades in these securities. 1888 selected this unaffiliated Fund Manager based on its equity security trading capabilities, its broader relationships with broker dealers which increases its likelihood of executing those transactions at the best price available, and its trading systems and operational capabilities that are required to effectively manage equity security transactions.

1888 does not receive research or other products and services through soft dollar arrangements with brokers and dealers.

1888 does not aggregate trades.

## **Item 13: Review of Accounts**

All investments are reviewed and approved by 1888's Investment Committee or Board of Managers as applicable. The Fund Managers are reviewed on a continuous basis and the investment personnel meet regularly to monitor current investments.

Clients will receive reports in accordance with the terms of the applicable Advisory Agreements.

## **Item 14: Client Referrals and Other Compensation**

1888 does not receive economic benefits from non-Clients for providing investment advice and other advisory services.

1888 does not currently compensate anyone for client referrals.

## **Item 15: Custody**

With respect to the Funds, the Adviser complies with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by requiring that (i) each such Fund be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board and (ii) each such Fund distribute its audited



financial statements to all of its members generally within 180 days of the end of the Fund's fiscal year. Clients investing in the Funds do not receive statements from any custodians.

### **Item 16: Investment Discretion**

In accordance with the terms and conditions of the applicable Advisory Agreements and, as applicable, the Governing Documents, the Adviser has discretionary authority to determine, without obtaining specific consent from Clients, the Funds or their members, the securities and/or Portfolio Funds, and the amounts of each to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

### **Item 17: Voting Client Securities**

In compliance with Rule 206(4)-6 under the Advisers Act, the Adviser will adopt proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the applicable Client's best interest and is in line with such Client's investment objectives.

In limited circumstances, the Adviser may refrain from voting Proxies where the Adviser believes that voting would be inappropriate.

Conflicts of interest may arise between the interests of a Client on the one hand and the Adviser or its affiliates on the other hand. If the Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Adviser will vote in accordance with its Proxy voting policies and procedures.

Clients may obtain a copy of the Adviser's Proxy voting policies and procedures and its Proxy voting record upon request.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as 1888 does not solicit fees more than six months in advance.

1888 (i) does not have a financial condition that is likely to impair its ability to meet contractual commitments to Clients and (ii) has not been subject to any bankruptcy proceeding during the past 10 years.